100th Congress
1st Session

COMMITTEE PRINT

WMCP:
100-16

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

MEDICARE PRESCRIPTION DRUG BENEFIT

- AMENDMENT TO H.R. 2470

THE MEDICARE CATASTROPHIC PROTECTION ACT OF 1987

RECOMMENDATIONS OF THE SUBCOMMITTEE ON HEALTH

Prepared for the Use of the Committee and its Staff

June 24, 1987

H 783-40

ITEM	SUBCOMMITTEE PROVISION	ENERGY AND COMMERCE PROVISION
1. Coverage	All federally approved prescription drugs, biological drugs, and insulin would be covered.	Same.
2. Deductible	$800 deductible indexed for retail drug price inflation.	$500 deductible indexed by medical care component of the CPI.
3. Cost Sharing	20 percent coinsurance based on the pharmacy's actual charge.	No cost sharing.
4. Reimbursement	For brand-name drugs, payment is based on the lower of: (i) average wholesale price (AWP) for the brand prescribed by the physician, plus a dispensing fee, or (ii) pharmacy's actual charge. Same rule for generic drugs if physician requires use of a particular brand in writing. Otherwise, payment for generics is based on lower of: (i) 50 percent of the AWP of the corresponding brand-name drug as of January 1, 1987 indexed by medical care component of the CPI plus a dispensing fee or (ii) pharmacy's actual charge. The dispensing fee is $4.50 in 1989 indexed thereafter to reflect changes in pharmacy costs.	Same provision, except the dispensing fee would not be indexed.

ITEM	SUBCOMMITTEE PROVISION	ENERGY AND COMMERCE PROVISION
5. Formulary	The Secretary would be authorized to establish a formulary after completing a study regarding feasibility and effect. All FDA approved drugs would be included in formulary unless explicitly excluded. No payment for nonformulary drugs without prior approval by carrier. Drug could be excluded if: (i) there are lower cost alternatives, (ii) drug has no significant safety or effectiveness advantage; and (iii) other advantages do not outweigh drug's higher cost.	No formulary.
6. Participation and Assignment	Participating pharmacies required to accept assignment on all claims. Drugs purchased at nonparticipating pharmacies would be covered, but beneficiary must pay pharmacy out-of-pocket and submit a claim to Medicare for reimbursement.	Same.
7. Administration.	Participating pharmacies required to assist beneficiaries in determining whether deductible has been met and submit documentation to carrier. Special prompt pay standards for participating pharmacies: 18 days in FY 89 and 17 days thereafter. Electronic billing required by 1991, except in rural areas. Payment limited to a 60 day supply for each prescription.	Same, except no requirement of electronic billing, no special prompt pay standard for participating pharmacies, and no 60 day limit on supply.

ITEM	SUBCOMMITTEE PROVISION	ENERGY AND COMMERCE PROVISION
8. Miscellaneous	11 member Prescription Drug Payment Advisory Commission. Secretary required to: (i) survey of prescription drug spending by elderly; (ii) provide a comparative drug price information guide to physicians and hospitals; (iii) conduct study of issues related to program administration. Payment for immunosuppressive drugs to conform with general payment rules for drugs.	No comparable provisions.
9. Financing	Benefit fully financed by premiums: 75 percent by increase in monthly "flat" premium, 25 per cent by an increase in the supplemental premium under H.R. 2470. $1.10 increase in flat premium, and an increase of approximately 2.25 per cent in the supplemental premium in 1989. Flat and supplemental premiums increase as needed to cover costs fully. Surpluses or deficits in prior years considered in setting premium rates to ensure budget neutrality.	Fully financed by flat premium. Premiums limited by statute to $0.30 for 1988, $3.20 for 1989, $4.90 for 1990. No more than a 20 per cent increase over the preceding year's premium for 1991 and thereafter.

ITEM	SUBCOMMITTEE PROVISION	ENERGY AND COMMERCE PROVISION
10. Expenditure Cap	Expenditure cap for CY 90 at $1 billion above CBO outlay estimate (approx. $1.9 billion). If actual outlays exceed cap, Secretary required to recommend changes in policy, including increase in deductible, necessary to reduce CY 92 outlays by the same amount by which the CY 90 outlays exceeded cap increased by an inflation.	Premiums cannot increase by more than 20 per cent a year. Starting in 1990, Secretary required to increase the annual deductible as needed to maintain budget neutrality.
11. Medicaid Requirements	No provision.	Requires State Medicaid programs, to pay the additional Medicare part B premiums and meet the $500 deductible on behalf of elderly and disabled beneficiaries with incomes at or below 100 per cent of the Federal poverty level ($5,500 per year) and assets of up to twice the current levels under the Supplemental Security Income (SSI) program ($3600). States could offer their current Medicaid prescription benefit or reimburse beneficiaries directly for their drug expenses. Federal Medicaid matching funds would be available for these costs at the State's regular matching rate.
12. Effective date	January 1, 1989.	Same.

○